

The President's Daily Brief

16 August 1973

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

Logistic problems and casualties from recent US air attacks apparently have forced the insurgents to put off early attacks on Phnom Penh. They have been getting sizable shipments of arms and ammunition over the past few days, and one insurgent message speaks of a "new offensive" planned for August 21. (Page 1)

If the generally good weather holds, the USSR is likely to have a record grain crop of 155 to 160 million metric tons. Even so, it probably will have to import 11 to 16 million tons in order to meet its requirements until the harvest in 1974. (Page 2)

Brezhnev has lent his personal prestige to the current campaign against China by publicly condemning "the practice of Maoism." (Page 3)

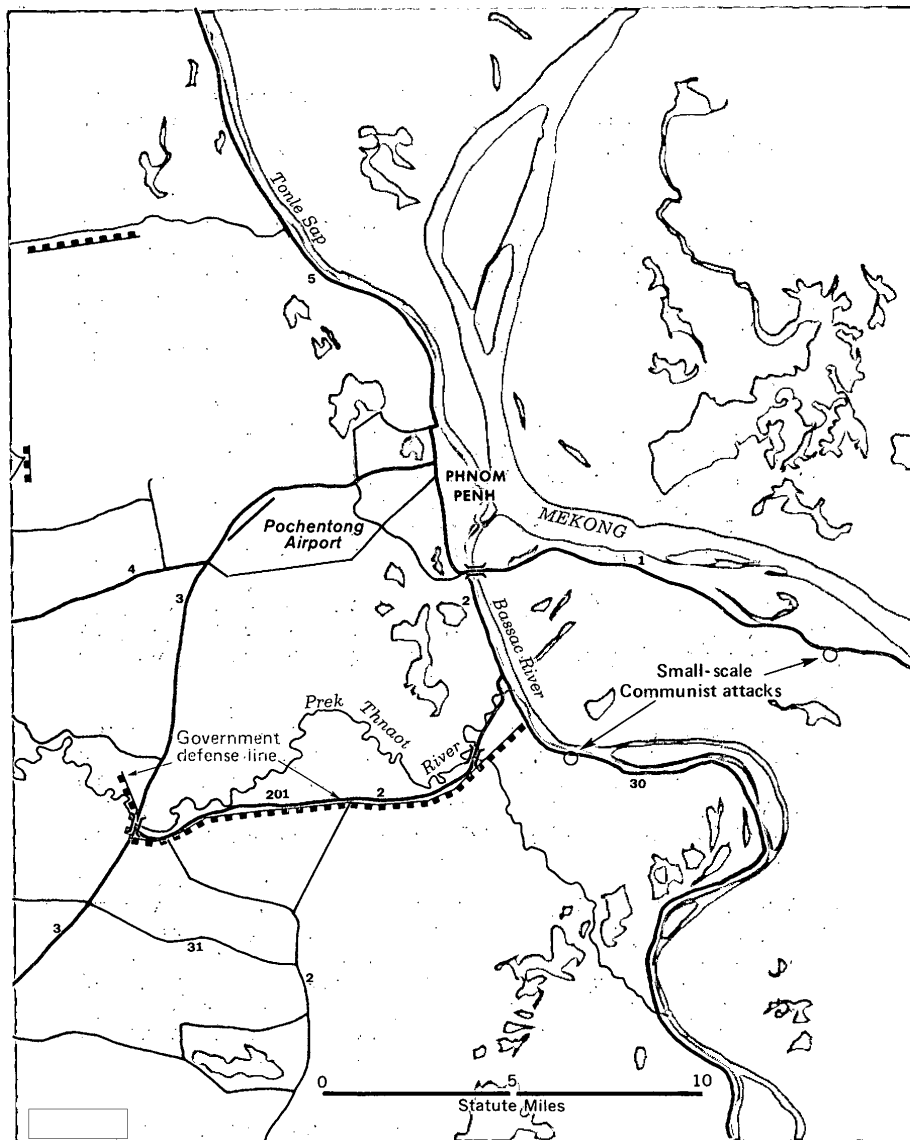
The sharp rise of the dollar on international money markets this week has become at least partly self-sustaining, and has enabled major central banks to sell some of the dollars they had acquired earlier. Announcement yesterday of improved US balance-of-payments figures may give further impetus to the rally. (Page 4)

The French have publicly attacked recent EC Commission proposals on agriculture, and have aimed unusually sharp criticism at Bonn. This has raised hackles among West German officials who are inclined to attribute French acidity to resentment over West Germany's growing political and economic power. (Page 5)

Notes on new Soviet - North Vietnamese economic agreements and on recent snags in West Germany's Ostpolitik appear on Page 6.

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Phnom Penh



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CAMBODIA

Khmer insurgent attacks against the capital scheduled for the night of August 14 have been postponed a week. According to an insurgent message of August 14 from the Phnom Penh area, a "new offensive" will begin on August 21. In preparation for the planned attacks, insurgent forces around Phnom Penh have received sizable shipments of arms and ammunition in the past few days.

Logistic problems and casualties from recent US air attacks apparently forced the Communists to delay plans for earlier action.

Combat activity on August 15 was limited to relatively small-scale shellings and probes against government positions near Route 1 ten miles southeast of Phnom Penh and along the Bassac River five miles below the city. No significant fighting occurred along the major defense lines north and south of the capital. Government troops in these sectors are taking advantage of the battlefield lull to strengthen their defenses.

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USSR

If the generally good weather holds, the USSR is likely to have a record grain crop of 155 to 160 million metric tons. Even so, it probably will have to import 11 to 16 million tons in order to meet export requirements and domestic demand until the harvest in 1974.

Purchases already made this year together with deliveries of grain bought in 1972 will probably suffice if the harvest reaches 160 million tons. Further imports will be necessary if the harvest is less, or if the Soviets decide to increase their grain reserves, which are now minimal.

Moscow has gone back on earlier statements that it would make no further grain purchases from the US through 1975. It also has indicated interest in additional purchases from Canada, Australia, and France. The Canadians agreed to supply no more than 2.5 million tons of grain during fiscal 1974 in addition to the 1.5 million tons sold earlier. Other exporting countries will probably be reluctant to commit much of their crop until they know how much they will be able to export.

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USSR-CHINA

Brezhnev lent his personal prestige to the current campaign against China yesterday by condemning "the practice of Maoism." In a speech in Alma Ata, not far from the Chinese border, the Soviet leader gave a gloomy assessment of relations with Peking and echoed the strident themes of recent Soviet propaganda. According to a TASS summary of the speech, Brezhnev placed special stress on Moscow's vague suggestion for an Asian collective security system, implying that China's "rabid anti-Sovietism" is the major obstacle to stability in Asia.

Brezhnev himself first floated the Asian collective security proposal in a clearly anti-Chinese context four years ago. Since then Soviet pronouncements have plugged the idea periodically, particularly since the signing of the Vietnam peace agreement early this year.

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CHANGES IN THE DOLLAR VALUE OF FOREIGN CURRENCIES SINCE 19 MARCH
(In Percent)

	15 August	9 August	27 July	11 July	6 July
Mark	+14.8	+19.0	+23.1	+17.6	+25.1
French franc	+ 5.9	+ 9.5	+12.5	+11.6	+19.9
Sterling	+ 0.2	+ 0.8	+ 1.9	+ 3.6	+ 3.9
Yen	- 0.2	- 0.1	- 0.2	+ 0.2	+ 1.1

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INTERNATIONAL MONETARY DEVELOPMENTS

The sharp rise of the dollar on international money markets this week has produced growing confidence in the dollar and has become at least partly self-sustaining. Announcement yesterday of improved US balance-of-payments figures may give further impetus to the rally.

The rise has enabled major central banks to sell some of the dollars they had acquired earlier. In addition, the Bundesbank was able to sell in the open market last week about \$150 million acquired from the expenditures of US military forces in Germany. The German decision to sell dollars at this juncture reflects concern that too quick a dollar recovery could cause exchange market instability in the future.

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FRANCE-EC-US

With the blessing of President Pompidou, French Minister of Agriculture Chirac has again publicly attacked recent EC Commission proposals that would harm certain French agricultural producers. He criticized all of France's EC partners for failing to support Paris' efforts to encourage European soybean production in the face of US limitations on soybean exports. Chirac reserved his strongest criticism for the West Germans, who allegedly are "turning away from Europe."

Chirac's particularly sharp criticism of Bonn reflects Pompidou's pessimism about German intentions in political as well as economic matters. The comments are part of Pompidou's efforts to discourage West Germany from embarking on "foreign adventures" in the East.

The West German press has responded strongly.

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In general, the Germans believe Chirac's remarks reflect French resentment over Germany's growing political and economic power, displeasure with its improved relationship with Eastern Europe and the USSR, and opposition to Bonn's role in promoting US-European dialogue.

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On the subject of US-European relations, a ranking French Foreign Ministry official has again expressed French "distress" with the US imposition of "artificial deadlines" on an Atlantic declaration of principles and an Atlantic summit.

Paris' arguments against such haste are in part self-serving, but it remains true, as the French argue, that the Europeans are not yet ready to speak with one voice in an Atlantic dialogue. This is strikingly borne out by the growing controversy over the EC's farm policy.

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NOTES

North Vietnam - USSR: North Vietnamese Premier Pham Van Dong and Soviet Premier Kosygin presided Tuesday at the signing of economic aid and trade agreements for 1974 and 1975. Moscow agreed to assist North Vietnam in reconstruction and in the development of the power and coal industry, roadbuilding, virgin lands, and geological prospecting. Military men from both sides took part in the talks, but the press announcement of the signing contained no hint of military aid, suggesting that significant problems still remain in this field. In the past the aid agreements covered both economic and military contributions.

West Germany - Eastern Europe: West German negotiations with Czechoslovakia and Bulgaria on establishing diplomatic ties have stalled. Bonn insists that its prospective embassies in Prague and Sofia be allowed to represent West Berlin institutions. The Czechs and the Bulgarians have thus far refused to accept this position. In an effort to buttress its case, Bonn has asked the allies to issue a statement to the effect that West German views on the issue are in accord with the quadripartite agreement on Berlin. Both the Germans and the East Europeans retain a strong desire to normalize relations and they probably will resolve these differences before long.

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